

# Private Equity Fund Commitment



## Trilantic Capital Partners V (North America) L.P.

April 26, 2012

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Charles J. Spiller, Managing Director  
Private Markets & Real Estate

# Trilantic Capital Partners V (North America) L.P. - Private Equity Fund

## Overview

- The Fund is Trilantic's first independent fundraise following the Firm's spin-out from Lehman Brothers in early 2009
- The Fund size is \$2 billion and the hard cap is \$3 billion
- The Fund will invest \$50 million to \$200 million per deal in control or significant minority investments in North America

## Fund Strategy

- The Fund partners with management teams which have a compelling business strategy and vision for a target company, thus avoiding auctions ("buy-in" investment strategy)
- The focus will be on mid-market high-growth companies in the consumer, financial services, business services, and energy sectors
- The Fund seeks companies exhibiting a sustainable competitive advantage in their respective market providing opportunities for long-term value creation through fundamental growth

## Investment Team

- Trilantic's 5 partners and 5 principals, comprising the senior team, have all previously worked together at Lehman
- The senior team is supported by a group of ten junior investment professionals, two experienced Operating Partners and a ten person Advisory Board

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## GP “Value Add”

- Trilantic’s “buy-in” investment strategy has differentiated itself from other buyout funds
- Trilantic assigns a dedicated team to closely monitor each portfolio company through the life of the Fund’s ownership
- Trilantic successfully enhances portfolio value through a combination of growth, margin improvement, debt reduction and multiple expansion at exit

## Performance

- Lehman Brothers Merchant Banking II, L.P. (1997) has a 1.4x gross multiple and a 5.2% net IRR
- Trilantic Capital Partners III, L.P. (2004) has a 2.0x gross multiple and a 17.1% net IRR
- Trilantic Capital Partners IV, L.P. (2007) has a 1.7x gross multiple and a 16.6% net IRR

## Market Opportunity

- Trilantic’s strict middle market focus has established it as the partner of choice for management teams, entrepreneurs and family-owners of middle market companies
- Investment opportunities are generated on a regular basis due to the Trilantic team’s extensive network of professional contacts
- In multiple instances, Trilantic has invested with repeat management teams who then become references for future deals

# Trilantic Capital Partners V (North America) L.P. – Private Equity Fund

## History with PSERS

- Lehman Brothers Merchant Banking Partners II (1997) – PSERS invested \$159 million
- Trilantic Capital Partners IV, L.P. (2007) – PSERS invested \$77 million

## Board Issues

- Pennsylvania Presence – Antero Resources focuses on acquiring and developing unconventional gas properties and currently owns 35,000 acres of land in PA
- Placement agent – Evercore Group L.L.C. (and its affiliates) is the Fund's global placement agent. **(there is no placement agent for PSERS)**
- PA political contributions – none
- Relationship with consultant - None

## Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount not to exceed \$100 million plus reasonable normal investment expenses

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April 5, 2012

Board of Trustees  
Pennsylvania Public School Employees' Retirement System  
5 North 5<sup>th</sup> Street  
Harrisburg, PA 17101

Re: Trilantic Capital Partners V (North America), L.P.

Dear Trustees:

Trilantic Capital Management LLC ("Trilantic" or "the Firm") is seeking commitments of \$2.0 billion for Trilantic Capital Partners V (North America), L.P. ("Fund V" or "the Fund"). Fund V will represent Trilantic's first independent fundraise following the Firm's spin-out from Lehman Brothers in early 2009. Trilantic's prior fund was closed in 2007 with \$1.9 billion of commitments. Trilantic Capital Partners, formerly Lehman Brothers Merchant Bank ("LBMB"), was purchased from the estate of Lehman Brothers and is led by Charlie Ayres. The ten person senior team that will be responsible for managing Fund V includes five Partners: Charlie Ayres, Danny James, Chris Manning, Jon Mattson and Charlie Moore. The five Partners are joined by five Principals. The entire senior team had worked together at LBMB.

Trilantic will continue to focus on making middle market private equity investments alongside proven management teams with a compelling business strategy and vision for a target company. Trilantic targets companies which exhibit a sustainable competitive advantage in their respective market and provide opportunities for long-term value creation through fundamental growth. The overall investment criteria will remain consistent with the prior two Trilantic funds by investing in middle market companies which have enterprise values between \$100 million and \$1.0 billion. As opposed to Fund IV Global, Fund V will only invest in opportunities based in North America. The Fund will make equity investments from \$50 million to \$200 million and is expected to generate a significant amount of co-investment opportunities for Limited Partners. Trilantic will make both control and non-control minority investments (20% to 49% of a company) that allow the team to have significant influence and access to the company.

Fund V is expected to primarily focus on the four following sectors where Trilantic has built up a significant amount of experience across the prior two Funds: Business Services, Consumer, Energy, and Financial Services. From the analysis below, the prior two Trilantic Fund's have invested over 70% of the invested capital in the Consumer and Energy space. The four core sectors have made up over 90% of both the number of deals completed and dollars invested across the prior North American investments. While there is no set allocation, the Fund expects to complete 3 to 4 deals in each of the core

focus sectors with each representing roughly 22.5% of the invested capital. The other 10% of the Fund will be opportunistically invested in non-core areas where the Fund is able to support a strong management team.

Portfolio Advisors' recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines.

- Detailed due diligence, including interviews with industry peers, private equity professionals and CEOs of portfolio companies.
- Evaluation of the composition of the investment team, how they work together, compensation structure and other factors that help determine whether a group is likely to be able to replicate past successes as currently configured.
- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- The strategy proposed for the Fund is appropriate for the Private Equity Partnership component of the portfolio.

Based on the above, Portfolio Advisors recommends that PSERS commit to up to \$100 million of limited partnership interests in Trilantic Capital Partners V (North America), L.P. Portfolio Advisors makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines.

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits of the Fund. Portfolio Advisors does not provide legal or other non-investment-related advice.

Sincerely,



Portfolio Advisors, LLC